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ANNUAL AUDITED REPORT

FORM X-17A-5

PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: October 31, 2004  
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SEC FILE NUMBER  
8-26080

REPORT FOR THE PERIOD BEGINNING 11/1/02 AND ENDING 10/31/03  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER DEALER:

Rothschild Lieberman Limited

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

411 West Putnam Avenue, Suite 420

(No. and Street)

Greenwich

(City)

Connecticut

(State)

06830

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Mr. Samuel Lieberman

(800) 835- 8800

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Eisner LLP

(Name — if individual, state last, first, middle name)

750 Third Avenue

(Address)

New York

(City)

NY

(State)

10017-2703

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not in residence in United States or any of its possessions.

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

88152

OATH OR AFFIRMATION

I, Samuel Lieberman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Rothschild Lieberman Limited, as of October 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

  
\_\_\_\_\_  
Signature

President  
\_\_\_\_\_  
Title

  
\_\_\_\_\_

Notary Public

*Feb. 28, 2006  
Gorenhet*

This report\*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**ROTHSCHILD LIEBERMAN LIMITED**

**FINANCIAL STATEMENTS**

**OCTOBER 31, 2003**

**(with supplementary information)**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rothschild Lieberman Limited  
Greenwich, Connecticut

We have audited the accompanying statement of financial condition of Rothschild Lieberman Limited as of October 31, 2003, and the related statements of operations, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of Rothschild Lieberman Limited at October 31, 2003 and the results of its operations, changes in stockholder's equity and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of computation of net capital is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Eisner LLP*

New York, New York  
November 26, 2003

# ROTHSCHILD LIEBERMAN LIMITED

## Statement of Financial Condition October 31, 2003

### ASSETS

Cash	\$ 15,459
Receivable from correspondent brokers	104,211
Securities owned, at market	874,250
Other assets	<u>18,900</u>
	<u>\$ 1,012,820</u>

### LIABILITIES

Accounts payable, income taxes payable and accrued expenses	\$ 46,334
Securities sold not yet purchased, at market	510,925
Deferred income taxes payable	<u>121,250</u>
	<u>678,509</u>

### STOCKHOLDER'S EQUITY

Common stock, \$1 par value; authorized 20,000 shares; issued and outstanding 1,000 shares	1,000
Additional paid-in capital	74,000
Retained earnings	<u>259,311</u>
	<u>334,311</u>
	<u>\$ 1,012,820</u>

**ROTHSCHILD LIEBERMAN LIMITED**

**Statement of Operations**  
**Year Ended October 31, 2003**

**Revenues:**

Dealer trading	\$ 203,447
Commissions	330,350
Interest and dividends	<u>15,148</u>
	<u>548,945</u>

**Expenses:**

Clearance	48,594
Employee compensation and benefits	274,723
Other operating expenses	<u>172,004</u>
	<u>495,321</u>

**Income before income tax expense** 53,624

Income tax expense:

Current	38,430
Deferred	<u>(24,250)</u>
	<u>14,180</u>

**Net income** \$ 39,444

**ROTHSCHILD LIEBERMAN LIMITED****Statement of Changes in Stockholder's Equity**

	<u>Common Stock</u> <u>\$1 Par Value</u>	<u>Additional</u> <u>Paid-in</u> <u>Capital</u>	<u>Retained</u> <u>Earnings</u>	<u>Stockholder's</u> <u>Equity</u>
<b>Balance - November 1, 2002</b>	\$ 1,000	\$ 74,000	\$ 219,867	\$ 294,867
Net income	<u>          </u>	<u>          </u>	<u>39,444</u>	<u>39,444</u>
<b>Balance - October 31, 2003</b>	<u><b>\$ 1,000</b></u>	<u><b>\$ 74,000</b></u>	<u><b>\$ 259,311</b></u>	<u><b>\$ 334,311</b></u>

# ROTHSCHILD LIEBERMAN LIMITED

## Statement of Cash Flows Year Ended October 31, 2003

### Cash flows from operating activities:

Net income	\$ 39,444
Adjustments to reconcile net income to net cash used in operating activities:	
Deferred tax expense	(24,250)
Changes in:	
Securities owned, net	476,397
Receivable from correspondent brokers, net	(409,090)
Accounts payable, income taxes payable and accrued expenses	<u>(88,013)</u>
Net cash used in operating activities	(5,512)
Cash - November 1, 2002	<u>20,971</u>
Cash - October 31, 2003	<u>\$ 15,459</u>

### Supplemental disclosure of cash flow information:

Income taxes paid	\$ 126,443
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# ROTHSCHILD LIEBERMAN LIMITED

## Notes to Financial Statements October 31, 2003

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rothschild Lieberman Limited (the "Company") is a registered broker-dealer that introduces its brokerage accounts on a fully disclosed basis to self-clearing correspondent brokers. The Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

Security transactions and related expenses are recorded on a trade date basis.

Securities owned by the firm and securities sold not yet purchased are reported at market value with unrealized gains or losses reflected in operations as dealer trading revenues.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE B - INCOME TAXES

Pursuant to the Revenue Reconciliation Act of 1993, the Company, as a dealer in securities, was required to mark-to-market all securities owned, for tax years ending on or after December 31, 1993. The law allows, subject to certain limitations, for the difference between market and carrying value of the Company's securities as of the beginning of the first tax year to which this rule applies to be phased into income over a period of 5 years, or with respect to last-in, first-out cost basis securities, over a period of 15 years. This will result in the recognition of additional taxable income of approximately \$61,000 annually through October 31, 2008.

The current income tax expense consists of federal, state and local taxes of approximately \$38,000. At October 31, 2003 the deferred income tax liability of approximately \$121,000 results from the mark-to-market income deferral.

### NOTE C - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND CONCENTRATION OF CREDIT RISK

In the normal course of business, the Company enters into transactions in securities sold, but not yet purchased. These transactions contain off-balance-sheet risk whereby change in the market value may be in excess of amounts recognized in the statement of financial condition.

As a nonclearing broker, the Company has its securities and its customers' transactions cleared through other broker-dealers pursuant to clearance agreements. All of the Company's cash and securities positions are held with a clearing broker. Recognizing the concentration of credit risk that this implies, the Company utilizes a clearing broker that is a member of major securities exchanges. Although the Company clears its customer transactions through a clearing broker, nonperformance by its customers in fulfilling their contractual obligations pursuant to securities transactions may expose the Company to risk and potential loss.

# **ROTHSCHILD LIEBERMAN LIMITED**

## **Notes to Financial Statements October 31, 2003**

### **NOTE D - NET CAPITAL REQUIREMENTS**

The Company is subject to the uniform net capital rule of the Securities and Exchange Commission which requires that aggregate indebtedness, as defined, shall not exceed 15 times net capital as defined. At October 31, 2003, the Company had a net capital ratio of .15 to 1 and its net capital was approximately \$315,000 compared to the minimum requirement of \$100,000. The Company has elected to operate pursuant to SEC rule 15c3-1(a)(6) whereby it is not required to take haircuts on its market-maker securities.

## Supplementary Information

**ROTHSCHILD LIEBERMAN LIMITED**

**Schedule of Computation of Net Capital  
October 31, 2003**

Total stockholder's equity	<b>\$ 334,311</b>
Deduct other assets	<u><b>(18,900)</b></u>
<b>Net capital</b>	<b><u>\$ 315,411</u></b>
<b>Aggregate indebtedness - accounts payable, income taxes payable and accrued expenses</b>	<b><u>\$ 46,334</u></b>
<b>Percentage of aggregate indebtedness to net capital</b>	<b><u>15%</u></b>
<b>Minimum capital required</b>	<b><u>\$ 100,000</u></b>
<b>Excess of net capital over minimum requirement</b>	<b><u>\$ 215,411</u></b>
Note 1: Net capital as reported in the Company's October 31, 2003 unaudited Focus report	<b>\$ 363,000</b>
Adjustments to expense accruals	<b>(34,000)</b>
Adjustments to market valuation	<u><b>(14,000)</b></u>
Total per above	<b><u>\$ 315,000</u></b>

Note 2: The Company has elected to operate pursuant to SEC rule 15c3-1(a)(6) and therefore no haircuts have been taken.

# Eisner

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5 FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

Board of Directors  
Rothschild Lieberman Limited  
Greenwich, Connecticut

In planning and performing our audit of the financial statements and supplemental schedule of Rothschild Lieberman Limited (the "Company") for the year ended October 31, 2003, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

# Eisner

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at October 31, 2003, to meet the SEC's objectives.

Our opinion recognizes that it is not practicable in a company the size of Rothschild Lieberman Limited to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control, and alternatively, greater reliance must be placed on surveillance by management.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Eisner LLP*

New York, New York  
November 26, 2003